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House of Representatives

Commonwealth of Pennsylvania
Harrisburg

July 19, 2012

Robert F. Powelson, Chairman
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
3rd Floor, Room N-308
Harrisburg, PA 17120

Dear Chairman Powelson:

Before the Commission for consideration is a rulemaking impacting Act 129 and the efforts that the utility industry and other electricity demand management entities have undertaken to reduce electricity demand and increase energy efficiency in Pennsylvania since the enactment of Act 129 of 2008 (Docket Number M-2012-2289411).

The result of both of these initiatives will reduce electricity costs for ratepayers in Pennsylvania by increasing the energy efficiency of buildings, heating and cooling systems, and simple everyday things such as light bulbs. Additionally, reducing demand for electricity will further reduce the overall market price of electricity, especially during the highest demand days. However, I am concerned with the portion of the Commission's Tentative Order that proposes to suspend the demand reduction program mandated by Act 129.

I agree that the State-wide Evaluator review of the cost-effectiveness of demand reduction programs is important and that in any program that increases costs to customers the benefits received must outweigh those costs. However, I believe that the provisions of Act 129 as they pertain to demand reductions permit an interpretation that gives the Commission adequate authority to permit existing programs to continue until such time as the cost benefit analysis may be completed. Specifically, section 2806.1(D)(2) requires the Commission to conduct a cost benefit analysis and states that if the benefits outweigh the costs, then the commission shall set additional incremental standards. The Act is silent regarding the action to be taken while completing the analysis and does not prohibit the continuation of current programs during this time. In light of this provision, it would be unfortunate for Act 129 demand reduction programs to go "dark" for until the beginning of the Commission's proposed Phase 3 Implementation.

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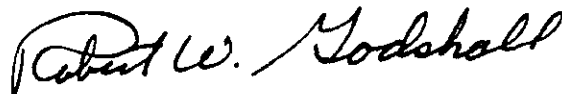
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I believe that the Commission has the authority to extend current Act 129 demand reduction programs and encourage you to consider extension of these programs during Phase 2 Implementation. I understand that deadlines set forth in the statute for completion of the cost benefit analysis are inconsistent with the timeline within which EDCs must submit Energy Efficiency and Conservation Plans to the Commission for approval. However, extending the current demand reduction programs will allow current reduction goals to remain in place and will permit a more efficient and effective transition towards any future demand reduction targets. Additionally, these programs could be extended for current participants only, which would mitigate any additional costs incurred by consumers in the event that the Commission determines that these programs are not cost effective.

I am also concerned about the stranded costs that will result from suspending Act 129 demand reduction programs until Phase 3 of implementation. Act 129 requires the installation of meters, communications equipment and control technologies to facilitate the operation of demand reduction programs. Additionally, significant costs have been expended for customer education and marketing to enroll customers in demand reduction programs. Costs already incurred will become "stranded" if these programs go dark. Additionally, these costs may have to be re-incurred if these programs are suspended. Furthermore, any load reductions achieved through these programs will be lost in subsequent years, and I am concerned about the impact of such a scenario on the effectiveness and affordability of these programs to Pennsylvania's electricity consumers.

I encourage the Commission to consider extending current Act 129 demand reduction programs for Phase 2 Implementation in order to preserve the hard work done to achieve the goals of the Act to date and to ensure a level of regulatory certainty while awaiting completion of the cost benefit analysis.

Sincerely,



Robert W. Godshall, Chairman
Consumer Affairs Committee

RWG:jh

cc: Rosemary Chiavetta, Secretary ✓
PUC Commissioners
June Perry, Legislative Liaison

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COMMONWEALTH OF PENNSYLVANIA

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